

Real Estate Fraud  
San Luis Obispo County District Attorney's office  
Government Code Section 27388(d)  
Narrative Annual Report for Fiscal Year 2011-12

***INTRODUCTION***

On August 19, 2008, pursuant to Senate Bill 537 (California Government Code Section 27388), the San Luis Obispo County Board of Supervisors approved a \$2.00 surcharge for the recording of certain real estate documents in order to fund the County's Real Estate Fraud Prosecution Trust Fund. (That fee was subsequently raised, per a change in the Government Code, to \$3.00.) This Trust Fund is the revenue source for the District Attorney's Real Estate Fraud Unit. The Unit investigates and prosecutes real estate fraud cases to deter and punish those who would commit real estate-related fraud and to obtain restitution for victims. The Unit also educates the public and real estate professionals about real estate fraud and how it can be identified and prevented.

Historically, virtually all major real estate fraud criminal investigation within our county, after having been referred by the State Department of Real Estate, has been handled by the District Attorney's Office. The San Luis Obispo Real Estate Fraud Unit consists of a portion of a Deputy District Attorney and an Investigator in that office. The Unit works closely with the District Attorney's Victim/Witness staff members and Consumer Fraud Unit staff who deal with large numbers of victims in many of these types of cases. During three recent cases, the Victim/Witness Division utilized the department's website to provide victims with up-to-date case information. The Unit's investigator and prosecutor work cases together vertically, from the initial complaint through the trial and sentencing.

The County Clerk Recorder has been allocated 5% of all fees collected for the County's Real Estate Fraud Unit in order to cover the costs of its administrative workload resulting from the collection of this fee.

The resources provided through the program have allowed the District Attorney's Office to investigate and prosecute real estate related crimes which otherwise may not have been prosecuted.

This report for fiscal year 2011-12 is provided pursuant to California Government Code Section 27388, subsections (d)(1) and (d)(2).

**Figure 1**  
**Real Estate Fraud Prosecution Program Statistics**

(2011-12, Dollars in Millions)

	Cases Investigated	Cases Filed	Convictions	Number of Victims in Filed Cases	Total Aggregated Monetary Loss
San Luis Obispo County	6	3	1	434	360 Million

(Counting 2011-12 cases filed, convictions, ongoing prosecutions, and open investigations, but without duplication across those categories.)

## ACCOUNTING

**Figure 2**  
**Real Estate Fraud Prosecution Program Trust Fund**  
**Revenues and Expenditures**

(2011-12, Dollars in Thousands)

	Trust Fund Carry-In Balance	Trust Fund Revenues	Trust Fund Expenditures
San Luis Obispo County	\$27,566	\$131,015	\$158,000

### A. Revenues: \$131,015

(These represent funds received through the Clerk Recorder's Office for recorded real estate documents which are deposited into the District Attorney's Real Estate Fraud Trust Fund.)

B. Expenditures: \$158,000 in salaries and benefits to reimburse for the majority of the real estate investigative resources used in FY 2011/12.

**Figure 3**  
**Real Estate Fraud Prosecution Program Expenditure Details**

(2011-12, Dollars in Thousands)

	Salaries and Benefits	Operation and Support Costs	Total Expenditures
San Luis Obispo County	\$158,000	\$0	\$158,000

## **OUTREACH**

Over the past fiscal year, the District Attorney's Office has established a number of new processes to assist the hundreds of individuals victimized by fraud schemes involving real estate. For example, for each of the Estate Financial, Inc., Real Property Lenders and 21<sup>st</sup> Century cases listed below (Figure 3), a separate webpage was created on the District Attorney website to provide up-to-date case status, resource information and links. Additionally, a designated toll-free "hotline" number and email account linked from the webpage was implemented whereby victims could call in or email with additional questions or to obtain further information.

Over the course of each criminal proceeding, these webpages include information on criminal charges, court rulings and case status, the custody status of defendants, bankruptcy court proceedings, restitution, and the status of sentencing. In addition, Victim/Witness advocates attend all court hearings to connect with victims and inform them of their rights pursuant to Marsy's Law and other victims' rights. For the sentencing hearing, advocates also coordinate the victim impact statements by which victims may address the judge.

Throughout these proceedings, extensive asset seizure work takes place to secure the defendants' assets for use toward future victim restitution. In addition, numerous pre- and post-court hours are spent by the attorney, investigators and Victim/Witness staff meeting with victims to keep them apprised of upcoming events and address their ongoing concerns regarding pending litigation matters.

## **CASE HIGHLIGHTS**

Below are some examples of the cases referred to in Figure 1:

Figure 3 Real Estate Fraud Prosecution Case Highlights		
Defendant	Charges	Number of Victims
Estate Financial (EFI)	Corporations Code; Securities Fraud	89
21st Century	Corporations Code; Securities Fraud	75
Real Property Lenders (RPL)	Corporations Code; Securities Fraud	80
Reyes/Reyes/Navarro	Corporations Code; Securities Fraud	60

## **CONCLUSION**

The District Attorney's Real Estate Fraud Unit has been extremely busy. During this past fiscal year, six major mortgage real estate fraud cases have been investigated. These cases alone include in excess of four hundred potential victims. (The intent of the legislature was to have an impact on real estate fraud involving the largest number of victims.) These types of investigations take hundreds of investigative hours before they are completed, due to their complexity.